

February 3, 2010

The Honorable Mike Bishop
The Honorable Mark Jansen
The Honorable Alan Sanborn
Michigan Senate
PO Box 30036
Lansing, MI 48909

Dear Senators Bishop, Jansen and Sanborn:

On behalf of Michigan's fifteen public universities, we thank you for the opportunity to respond to the health care reform proposals which are part of the Senate Republican reform package.

Michigan's public universities have been undertaking major steps to reduce costs at our institutions in a number of areas, including health care. We are pleased to report, for the most recent available plan year that the average cost of health care benefits (medical and RX) among all fifteen state universities is \$9,046 per employee. This represents a difference of \$2,841 **below** the cost identified for the State of Michigan employees (a 24% cost differential). University employees are also responsible for a higher percentage of the health care premium, averaging 13.1% of the total as opposed to 8.3% for state employees. All of our campuses offer wellness programs to faculty and staff.

Michigan public universities collaborate on many fronts to operate as efficiently as possible in order to reduce costs while simultaneously increasing productivity. One of our many collaborative initiatives was the establishment of the Michigan Universities Coalition on Health (MUCH). MUCH was established by the Presidents Council, State Universities of Michigan as a committee in 1997 and incorporated as a non-profit organization in 2005.

MUCH's mission is precise:

"To leverage the knowledge, resources and influence of its members to improve the value of employee benefit plans and services through better quality and contained costs for educational institutions, their employees, retirees and dependents."

Central Michigan University
Eastern Michigan University
Ferris State University
Grand Valley State University
Lake Superior State University
Michigan State University
Michigan Technological University
Northern Michigan University



Oakland University
Saginaw Valley State University
The University of Michigan – Ann Arbor
The University of Michigan – Dearborn
The University of Michigan – Flint
Wayne State University

After issuance of a request for proposal, MUCH successfully negotiated a coalition agreement with Blue Cross Blue Shield of Michigan (BCBSM) to provide third-party administrative services for medical claims processing. Through an affiliation with A Labor-Management Purchasing Coalition (AEPC), MUCH members also have access to Pharmacy Benefit Manager (PBM) coalition pricing. Both agreements are structured on a self-funded basis with each member responsible for ONLY their own claims. Claims are not pooled.

This approach offers the following advantages:

- Coalition pricing and savings
- Plan design flexibility
- Independence to determine the plan design including:
 - Benefits covered
 - Plan co-pays, deductibles, coinsurance
 - Provider network
 - Stop loss protection

Thirteen of the state's fifteen public universities are self-insured through MUCH or independently. We will continue to develop health services to meet member needs, and are pursuing expanded relationships with other post-secondary institutions, both public and private.

A copy of our health care cost summary and a fact sheet on MUCH, including a plan design summary are attached. We are proud of the substantial savings produced by our university partnership and hereby offer our model to state policymakers as a concept worthy of adoption by other governmental units.

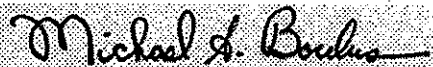
We appreciate the opportunity to respond and hope you find the information helpful. If we can be of further assistance, please do not hesitate to call.

Sincerely,

Thomas J. Haas, Chair



Michael A. Boulus, Executive Director



**University Health Benefits Program
Average Cost of Health Care Benefits
State Universities of Michigan**

ACTIVE ONLY					% Difference Between Average Cost of State Employees and MUCH Member
Medical + RX Cost					
Total - State Universities of Michigan	Total Cost	Employer Cost	Employee Cost	Employee Costs as a Percent of Total	-23.9%
	\$9,046	\$7,863	\$1,183	13.1%	
State of Michigan Employees	\$11,887	\$10,900	\$987	8.3%	0.0%

Notes:

MTU - 2009 annual projected cost was based on 2008 funding rates.

OU - The data prepared represents 2008 cost information. All plans are fully insured.

SYSU - Total Cost includes medical rebate.

WSU - Costs based on 2009 with 3/09 headcounts.

Summarized by Paul Kopcar based on information received from individual universities.

Final: 10/12/09

12/8/2009
3:48 PM

Michigan Universities Coalition on Health, Inc. Fact Sheet

The Michigan Universities Coalition on Health (MUCH) was established in 1997 as a committee reporting to the Business Officers, State Universities of Michigan. Prior to incorporation in March 2005, a feasibility study was conducted and in 2003, a request for proposal (RFP) was issued for a Third-Party Administrator for medical services. Following review of the RFP responses, an agreement with Blue Cross Blue Shield of Michigan (BCBSM) was negotiated effective July 2005.

Type of Organization: Michigan non-profit corporation, organized on a membership basis.

Founding Members

Central Michigan University♦
 Eastern Michigan University*
 Ferris State University♦
 Grand Valley State University□
 Lake Superior State University*
 Michigan State University*
 Michigan Technological University
 Northern Michigan University*
 Oakland University
 Saginaw Valley State University
 Wayne State University♦
 Western Michigan University*

*Denotes member participating with BCBSM coalition agreement.

□Denotes member participating with Caremark coalition agreement.

♦Denotes member participating with BCBSM & Caremark coalition agreements.

Mission: To leverage the knowledge, resources and influence of its members to improve the value of employee benefit plans and services through better quality, contained costs for educational institutions, their employees, retirees and dependents.

Total Members: 12 state universities (as noted at left)

Lives Covered by MUCH, Inc. Members: 33,902

Current Collaborative Purchasing Efforts

Programs: MUCH, Inc. has negotiated a template contract with Blue Cross Blue Shield of Michigan (BCBSM) to provide third party administrative services for medical services.

Through its affiliation with A Labor-Management Purchasing Coalition (AEPC) coalition pricing with CVS Caremark is available for Pharmacy Benefit Management services.

In both of these arrangements, claims are not pooled but employee enrollment is pooled. Each university can create their own plan design.

Advantages: Individual choice, plan design flexibility and coalition savings through group purchasing. Claims are not pooled employee enrollment is pooled. Each university maintains the independence to control its own benefit plan design which may include the provider network, plan copays, deductibles, coinsurance, stop loss protection, and specific benefits covered by the plan. The individual university is ONLY responsible for the costs associated with claims for their own employees, dependents and retirees as applicable.

Members Using Coalition Template Agreements¹: 9

Lives Covered by Coalition Template Agreements¹: 20,869

Plan Design Summary: The table below provides a summary of key features of the plan designs for MUCH, Inc. members. Generally, universities offer multiple benefit plans, and employees choose the benefit plan that best meets their needs. Preferred Provider Organization (PPO) is the most common type of benefit plan. Depending on the market choice, some members offer a PPO,

Traditional and Health Maintenance Organization (HMO) plan(s). One member offers a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA) where the employer contributes to the HSA.

Preventive benefits are typically covered at 100% up to certain limits as defined by the individual MUCH, Inc. member. Wellness programs vary, but some form of wellness activities exist at each campus.

Office Visit Copay	Emergency Room Copay	Deductibles	Annual Maximum Out of Pocket	Prescription Drug Copays
Minimum: \$10 Maximum: \$20	Minimum: \$ 50 Maximum: \$100	In Network: Minimum: \$0 / \$0 Maximum: \$1500 / \$5000 Out-of-Network: Minimum: \$0 / \$0 Maximum: \$2000/\$4000	In Network: Minimum: \$0 / \$0 Maximum: \$2500 / \$5000 Out-of-Network: Minimum: \$0 / \$0 Maximum: \$3000 / \$6000	Retail: Gx/Fx/Bx Minimum: \$5/\$10/\$20 Maximum: \$15/\$30/\$50 Other: 20%/20%/30% 10%/20%/30% Mail: Gx/Fx/Bx Minimum: \$15/\$30/\$60 Maximum: \$20/\$40/\$80 Other: 20%/20%/30% 10%/20%/30% Gx: Generic Fx: Formulary Brand Bx: Non-formulary Brand

The table below summarizes the retiree benefits offered by MUCH, Inc. members:

University	Pre-65 Benefits Offered	Post-65 Benefits Offered
Central Michigan ²	Access ONLY – phasing out by 7/2011	Access ONLY – phasing out by 7/2011
Eastern Michigan ²	Access ONLY – retiree pays 100% of cost	Not offered
Ferris State ^{2,3}	Ferris Faculty Association only	Not offered
Grand Valley State	Capped Subsidy	Stipend – purchase of individual plan
Lake Superior State ²	Access ONLY	Access ONLY
Michigan State	Yes – 100% paid for lowest cost plan	Yes – 100% paid for lowest cost plan
Michigan Technological ²	Subsidy offered for former retirees with varied premium cost share. New retirees pay 100% of plan funding rate.	Subsidy offered for former retirees with varied premium cost share. New retirees pay 100% of plan funding rate.
Northern Michigan ²	Access ONLY	Access ONLY
Oakland	Yes, with cost share	Yes, with cost share
Saginaw Valley State	Access ONLY to some plans	Access ONLY to some plans
Wayne State	Access ONLY	Access ONLY
Western Michigan ²	Yes, with cost share	Yes, with cost share

Notes:

¹ MUCH members using the coalition template agreements as of July 1, 2009. Approximately 18,902 employees are covered under the BCBSM agreement. As of July 1, 2009, an estimated 3,863 employees are covered under the CVS Caremark agreement. Roughly 1,896 of the employees covered under the CVS Caremark agreement are also covered under the BCBSM agreement. Michigan State University is not included in the count for members utilizing the CVS Caremark agreement because they were members of AEPC prior to MUCH affiliating with AEPC.

² Retired employees of these institutions may be covered under MPSERS.

³ Pre-65 employees are offered benefits through MESSA.